

Message Text

LIMITED OFFICIAL USE

PAGE 01 PRETOR 03553 191452Z

ACTION AF-10

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00 PM-05

H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01

OMB-01 /110 W

-----115301 191516Z /40

R 191423Z JUL 77

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 8115

INFO AMEMBASSY LUSAKA

AMEMBASSY LONDON

AMEMBASSY MAPUTO

USMISSION USUN NEW YORK

AMEMBASSY GABORONE

LIMITED OFFICIAL USE PRETORIA 3553

E.O. 11652: N/A

TAGS: ECON, EFIN, RH

SUBJECT: RHODESIAN BUDGET FOR FY-77/78

BEGIN UNCLASSIFIED

1. SUMMARY: AS REPORTED IN SA PRESS, RHODESIAN BUDGET PRESENTED JULY 14 PROVIDES FOR 34 PERCENT INCREASE IN EXPENDITURE ON WAR EFFORT RAISING WAR COST TO 26-27 PERCENT OF TOTAL BUDGET ACCOUNT. DEFICIT OF U.S. \$97 MILLION PROJECTED IN FY-77/78 ON EXPENDITURES OF \$1,023 MILLION. TAX INCREASES WERE GENERALLY AVOIDED AND THERE WERE MINOR INCOME TAX CUTS FOR MIDDLE AND LOWER INCOME GROUPS. END SUMMARY.

2. SA PRESS HAS REPORTED HIGHLIGHTS OF RHODESIAN GOVERNMENT BUDGET FOR FY-77/78 PRESENTED TO PARLIAMENT JULY 14 BY MINISTER OF FINANCE DAVID SMITH. PROJECTED EXPENDITURES ON WAR EFFORT (DEFENSE AND POLICE) ARE UP 34 PERCENT OVER FY-76/77 TO U.S.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PRETOR 03553 191452Z

\$283.7 MILLION. OF THIS FIGURE, DEFENSE ALONE WAS UP 44 PERCENT TO \$203.7 MILLION AND POLICE EXPENDITURES WERE UP 14 PERCENT TO \$79.9 MILLION. PRESS ACCOUNTS VARY SOMEWHAT ON OVERALL BUDGET FIGURES FOR FY-77/78 WITH COMBINED DEFENSE AND POLICE EXPENDITURES RISING EITHER TO 26 PERCENT OR 27.7 PERCENT OF EXPENDITURE ON BUDGET ACCOUNT (DEPENDING ON SOURCE USED) COMPARED TO 24.4 PERCENT IN 1976/77.

3. MOST COMPREHENSIVE PRESS REPORT SHOWS OVERALL EXPENDITURES ON BUDGET ACCOUNT IN FY-77/78 AS RISING TO \$1,023 MILLION, UP ABOUT 20 PERCENT FROM FY-76/77, WHILE COMBINED BUDGET AND FINANCING ACCOUNT ROSE TO \$1,173, UP 13 PERCENT. DEFICIT ON BUDGET ACCOUNT IS PROJECTED AT \$96.8 MILLION AS AGAINST A DEFICIT OF \$85 MILLION IN FY-76/77.

4. IN SPITE OF THE LARGE INCREASE IN DEFENSE SPENDING, MOST DIRECT TAX LEVELS WERE NOT INCREASED. TAX RATES FOR INDIVIDUALS EARNING BELOW \$13,869 AND COUPLES BELOW \$21,574 WERE DECREASED SLIGHTLY WHILE RATES FOR HIGHER LEVELS OF INCOME SHOWED A SMALL INCREASE. THE 10 PERCENT WAR SURCHARGE ANNOUNCED IN THE MINI-BUDGET OF MARCH WILL REMAIN IN EFFECT UNTIL MARCH 31, 1978, AND THEN DROP TO 7.5 PERCENT. IT WAS ALSO ANNOUNCED THAT THE LIMIT ON DIVIDENDS AND OTHER INCOME WHICH FORMER RESIDENTS CAN TRANSFER OUT OF THE COUNTRY IS BEING REDUCED TO \$38,500 PER YEAR PER FAMILY. AN EXCEPTION FOR RETIRED PERSONS ALLOWS TRANSFERS OF PENSIONS AND OTHER INCOME OF \$77,000 PER YEAR.

5. SMITH REITERATED THAT HE EXPECTED FURTHER DECLINE IN REAL GDP IN 1977 FOLLOWING 3.4 PERCENT DROP IN 1976 BUT BELIEVED THAT A DEFICIT ON BALANCE OF PAYMENTS COULD BE AVOIDED. HE STATED, HOWEVER, THAT IT WOULD BE DIFFICULT TO INCREASE IMPORT ALLOCATIONS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PRETOR 03553 191452Z

END UNCLASSIFIED

BEGIN LIMITED OFFICIAL USE

6. COMMENT: JUDGING FROM WHAT HAS BEEN REPORTED HERE, IMMEDIATE IMPACT ON RHODESIAN TAXPAYERS WOULD APPEAR TO BE MINOR IN SPITE OF LARGE INCREASE IN DEFENSE SPENDING. SMITH APPARENTLY HOPES TO ABSORB MOST OF DEFENSE INCREASE BY HOLDING LINE IN REAL TERMS ON NON-DEFENSE EXPENDITURES AND THROUGH 10 PERCENT TAX SURCHARGE LEVIED IN MARCH AND INCREASE IN DEFICIT. RHODESIAN GOVERNMENT'S ABILITY TO FINANCE DEFICIT OF THIS SIZE IN CURRENT POLITICAL CLIMATE IS OPEN TO QUESTION AND ANOTHER MINI-BUDGET NEXT MARCH MAY WELL BE NECESSARY. IT WOULD APPEAR THAT IN LIGHT OF GROWING WHITE EMIGRATION, RHODESIAN GOVERNMENT HAS DECIDED THAT INCREASE IN DEFICIT REPRESENTS LESSER OF TWO EVILS WHEN COMPARED TO INCREASE IN ALREADY HEAVY TAX RATES.

BOWDLER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, MILITARY EXPENDITURES
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PRETOR03553
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770268-0626
Format: TEL
From: PRETORIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770743/aaaabknj.tel
Line Count: 110
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b0629a67-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1818187
Secure: OPEN
Status: NATIVE
Subject: RHODESIAN BUDGET FOR FY-77/78 BEGIN UNCLASSIFIED
TAGS: ECON, EFIN, RH
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/b0629a67-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009